

TESTIMONY

of

THE UNITED ILLUMINATING COMPANY

Re

SB 22 - AN ACT CONCERNING A PROCUREMENT AUCTION FOR ELECTRIC
GENERATION SERVICES

Legislative Office Building

February 26, 2008

Good afternoon Senator Fonfara, Representative Fontana, members of the Energy and Technology Committee. My name is Alan Trotta and I am of the Manager of Wholesale Power Contracts for the United Illuminating Company. In that capacity, I manage all aspects of power procurement and contract negotiations for Standard Service and Last Resort Service for our customers.

The United Illuminating Company thanks you for this opportunity to present these comments on **SB 22 - AN ACT CONCERNING A PROCUREMENT AUCTION FOR ELECTRIC GENERATION SERVICES**. The bill proposes the use of a reverse auction for standard service power procurement. UI recognizes that Connecticut's electric customers are currently paying a very high price for their electricity, and would support any initiative that has a high probability, after factoring in the cost of the initiative, of reducing the cost of generation service for customers. UI believes that a measured and deliberate approach should be used when making significant policy changes, and would recommend that such an approach be employed here due to the myriad of unknown factors with the proposal.

UI is interested in exploring the reverse auction concept further. Certain mechanics of an auction approach need to be studied to determine their impacts on prior contract negotiations and on certain favorable elements of the current process such as the flexibility to ask for bids of different types, such as supplier-managed congestion vs. electric distribution company-managed congestion, optional tranche procurements, and linked or contingent bids. Also, the majority of the functions performed in the current RFP process would still have to be performed in advance of an auction such as the development and negotiation of standard contracts, the development of supplier credit requirements, responding to supplier questions and the distribution of load and migration data. All of these functions are necessary to ensure a level playing field, and to provide suppliers with a complete understanding of their obligations so that risk premiums are minimized.

Other than the State of Connecticut's recent successful but limited reverse auction power procurement, there are very few examples to learn from. It is uncertain how much of the benefit

that was derived from that auction was due to the auction itself, and how much was due to the distinction between the retail service procured by the State for specific facilities, and wholesale service procured by the electric distribution companies for continually changing customer requirements. UI proposes that a study be conducted in a new DPUC docket to assess the cost and benefit of using reverse auctions, and commits that it would be a full and active participant in such a study.

Thank you for this opportunity and I'll try to answer any questions you may have.